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Meetings 4

NOTES FOR INFORMAL BRIEFING OF

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Regarding
CENTRALIZED ADMINISTRATION

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Ref ID: AER 78-2
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OUTLINE OF NOTES

I. Introduction - Basic Principles of Centralized Administration

- A. Effective administration is 90 per cent in the people you have and 10 per cent in your organization of them
- B. Economies that result from centralized administration
- C. Specialists should perform the work of their specialty

II. Concept of Centralized Administration in an Intelligence Organization

- A. Basic structure of CIA
- B. Responsibility for proper organization and staffing to achieve support
- C. Parallel with Army structure
- D. Limitations on administrative offices in an intelligence organization
- E. The responsibility for proper coordination in support functions

III. Personnel

- A. Responsibility for initiating policies that recruit and develop employees
 - 1. Obligation to satisfy organization's manpower requirements
 - 2. Indirect responsibility for Agency moral
 - 3. Responsibility to promote fullest development of each individual
 - 4. Responsibility to build up a career corps
- B. Necessity for standardization procedures
- C. Wage and Classification Division
- D. Training

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IV. Finance

- A. Principle of maintaining adequate budget and accounting controls
- B. Conformity to governmental fiscal procedures
- C. Principle of internal audit

V. Security

- A. Restrictions it places on effective administration
- B. Basic organization of security in CIA
- C. Relation of security to personnel

VI. Procurement

Operational planning cannot exist without proper consideration of the existence of logistical support

VII. Management

- A. Discussion of functions of our Management Analysis Office (organization and methods)
- B. Continuous self-examination
- C. Use of the audit as a management tool

VIII. Summary and Conclusions

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I. INTRODUCTION

There are some basic principles of centralized administration that apply, I found, whether you are in business, in government, or in intelligence. I am a banker on leave of absence, and I did know these principles were effective when I was a Senior Vice President of the National City Bank. I have learned, after a little time in this intelligence business, that they work here too.

- A. Effective administration is 90 per cent in the people you have and 10 per cent in your organization of them.
(DISCUSS)
- B. There is an economy and control that results from centralized administration. For example, it is pointless having a covert personnel office compete with an overt personnel office for the same individual. It is inequitable to allow one office to pay more than another to individuals who have equal amounts of responsibility.
(DISCUSS)
- C. The individuals making up any organization are specialists in separate and particular fields. Your organization should, therefore, be arranged so that these specialists can perform the work of their specialty. For example, specialists in procurement—not specialists in intelligence collection—should do the buying. Lawyers—not finance men—should make the legal decisions, etc.
(DISCUSS)

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II. CONCEPT OF CENTRALIZED ADMINISTRATION IN AN INTELLIGENCE ORGANIZATION

- A. Here in the CIA we have one central body that is charged with providing over-all administrative support. It is probably the one part of the whole organization that has a structure that isn't secret. Obviously, one of its divisions deals with people, a second with money, and a third with things. Actually, it is divided up into a Personnel Office, a Finance Office, a Security Office, a General Counsel's Office, a Auditor's Office, a General Services Office, a Medical Office, and a Procurement and Supply Office.
(DISCUSS)
- B. Now if centralized administration is to be responsible for over-all administrative support, it is necessary that there be proper organization and staffing to achieve that support. This means that there should be one strong central administrative unit. Secret operations may require their own separate administration, but there is no reason why such separate administration should not be made responsible to and coordinate under a common general administrative head. It is only through such organization that central administration can accomplish its missions of supporting an entire organization and of providing its special abilities to covert offices and can adequately insure a proper review of expenditures.
(DISCUSS)
- C. Organization and staffing has been developed in the CIA along the lines of the O-4 structure of the Army.
(DISCUSS)
- D. Most important in the concept of the task of the administrative offices are the limitations upon them. Only the head of an intelligence organization should impose restrictions of an administrative nature over the substantive and operating offices, and administrative officials must enforce, but may not enlarge, these restrictions. Administrative officials are in being in order to relieve

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all operating officers of as much of the business and administrative detail, involving men, money, and materiel, as is humanly possible.
(DISCUSS)

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- E. The senior personnel in centralized administration, as well as being responsible for proper organization and staffing in order to achieve administrative support, must insure proper coordination in accomplishing it. They cannot, for example, permit two [redacted] to perform missions which could properly be accomplished by one.
(DISCUSS)

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III. PERSONNEL

A. One of the off-hand observations made before was that effective administration is 90 per cent in the people you have and 10 per cent in your organization of them. The office in centralized administration that is responsible for the 90 per cent part of this equation is the Personnel Office. It must initiate and carry out the programs that recruit and develop the many personnel of highly specialized talents that an intelligence organization requires.

(DISCUSS general responsibilities of a Personnel Office, i.e.,

1. Obligation to satisfy organization's manpower requirements (Personnel Procurement)
2. Indirect responsibility for Agency moral (Personnel Relations)
3. Responsibility to promote fullest development of each individual (Personnel Evaluation Program)
4. Responsibility to build up a corps of well-qualified men, interested in making intelligence their life work (Career Service)
5. Responsibility to put each individual in the job for which he is best suited (In Service Placement)

B. It would be impossible to manage or administer programs, such as personnel procurement, personnel relations, personnel evaluation program, career service, and in service placement, without standardized procedures.

(DISCUSS, i.e., the necessity for standardized procedures to permit treatment of all employees equitably, etc.)

C. A good example of how much importance we attach to the necessity for standardized procedures is shown by the fact that we have a Classification and Wage Division within the Personnel Office. This Division has the assignment of assuring that employees are paid in accordance with the responsibilities they assume.

(DISCUSS)

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- D. In order to promote the fullest development of each individual, there has to exist within the organisation an Office of Training.
(DISCUSS)

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IV. FINANCE

- A. The fiscal responsibilities of CIA--budgeting, accounting, auditing, disbursing, and financing--are broad in scope and most complex. Though some of the techniques and methods that are employed are unique and, in some instances, unprecedented, the fundamental principle of maintaining adequate budget and accounting controls and audit programs has always been followed.
(DISCUSS how the budgets are prepared for each separate office, etc.)
- B. Despite the fact that many of the fiscal problems of CIA do not lend themselves to governmental procedures and methods, the Agency has continued to adhere to government fiscal practices and regulations to the maximum extent possible.
(DISCUSS how we believe uniform and standardized procedures are important)
- C. The covert fiscal transactions are not audited by outside examiners (as in the less secret governmental organizations). However, CIA has taken appropriate steps to assure that all transactions receive a commercial type comprehensive internal audit.
(DISCUSS how both in a bank and in intelligence agency this plan is a fundamental one, etc.)

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V. SECURITY

- A. Security is the atmosphere in which intelligence organizations must live. Though burdensome and bothersome, security is critically essential to the effective existence of any intelligence system. Since it is enforced through restraint and controls, it hobbles operations just as it safeguards end results.
(DISCUSS, for example, how security clearance delays, impedes, and restricts personnel procurement, but how it assures that the Agency is not penetrated, etc.)
- B. The problem of security is regarded as a problem of attaining maximum effectiveness without relaxing security restrictions and of maintaining maximum security without becoming handcuffed by restraints.
(DISCUSS in connection with how we are organized, i.e.,
1. the Security Division which concerns itself with physical security, personnel security, and the polygraph operation
 2. the Division of Counter Intelligence which checks on subversives in our organization
 3. the Special Clearance Division which handles all field investigations.
- We believe that while investigations, guard systems, protective devices, and document controls provide safeguards, the ultimate security is the discretion in each individual employee.)
- C. Relation of security to personnel.
(DISCUSS, i.e., how these two are interlocked and how the effectiveness of security is dependent upon the effectiveness of personnel; for example, how a small turn-over of personnel would be beneficial to the security of the Agency.)

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VI. PROCUREMENT

Operational planning cannot exist without proper consideration of the existence of logistical support. (DISCUSS how this problem extends to a full appreciation by planners of the importance of an advance guarantee of adequate materiel support for any plan, and to effective, prompt, and sufficient procurement for that plan.)

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VII. MANAGEMENT

- A. The senior officers in centralized administration are charged with establishing and maintaining a continuous program of management analysis and improvement. With us, this has been accomplished by the Office of Organization and Methods.
(DISCUSS in connection with the dollar savings this Office accomplishes)
- B. The directing staff in centralized administration must continuously submit itself and its operations to critical self-examination.
(DISCUSS)
- C. Though experience points out that unethical financial practices will not be followed by most employees, even where there is no restraining influence in the form of an audit, instances of abuses do increase when there is a lack of inspection. In any intelligence organization which is widely spread out, there is a direct relationship between financial objectivity and integrity and operational objectivity and security. It is essential, therefore, that the audit be used as a management tool.
(DISCUSS)

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VIII. SUMMARY AND CONCLUSIONS

- A. There cannot and should not be over decentralization of administration in a centralized intelligence service. Otherwise, control is lost.
- B. A standardization of procedures is all important in a centralized administration.
- C. "Finance," together with its ally "Audit," is an important mechanism within any centralized program of administration. Finance should include proper budget planning.

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TRANSMITTAL S.A.P		
7 November 1952 (Date)		
TO: DD/A		
BUILDING	ROOM NO.	
REMARKS: To achieve some of the purposes indicated in [redacted] memorandum, there is perhaps a disproportionate emphasis here on the advantages of centralized administration.		
The notes--for the security reason you mentioned--have been limited to the general aspects of organisation and administration.		
		
FROM: SA/DD/A:RDH		
BUILDING	ROOM NO.	EXTENSION

NO. 36-8
1946

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